

Barking and Dagenham Housing Revenue Account (HRA) Business Plan 2017 – 2047 – Executive Summary

The first HRA Business Plan was presented to Cabinet in March 2012, in preparation for the introduction of Self Financing in April 2012. This is an update of that Plan, and provides a statement of the current HRA position. It is a holding Plan, and does not represent a radical change from what has gone before. Rather, it represents a summary of where we are now as a result of the Council's policies on investment, estate regeneration and the introduction of the new build programme. The next iteration of the HRA Business Plan will be a full Housing Commissioning Plan, which will set out the way forward for the Council's housing framework for Barking and Dagenham. The emerging policy will be framed around three housing rights: The Right to Rent, the Right to Move, and the Right to Invest. The Council wants to see more geographically balanced and mixed communities, and will be developing homes appropriate to the different areas through its new housing policies. In areas where housing concentrations of Council housing currently exist, the Council will be introducing a range of mixed tenure options where housing of different rent levels and ownership types will provide a more mixed community and vice versa. The Right to Rent will be developed in five forms of *infrastructure* housing:

- Social housing rents, for those with the lowest incomes;
- Homes at the London Living Rent, as promoted by the Mayor of London in his manifesto;
- Benchmark rents in the mid-market range, housing for the aspiring households who want to move up the housing ladder;
- Affordable rented housing at 65% market rents and
- Housing for those on higher incomes, at 80% to 100% of market rents.

The Council further proposes to develop a Right to Move: an incentive scheme for tenants who qualify financially, to enable them to move out of Council housing with the assistance of a substantial deposit and free up much needed social housing. Finally, there is a Right to Invest, which enables tenants should they wish to do so, to part purchase their homes and take on ownership of a share of their home, and pay a percentage of the rent on the remainder. This is designed to give low income working households the opportunity of stepping up into home ownership gradually.

The Barking and Dagenham HRA Business Plan sets out the financial position of the Council's 18,120 general needs properties, as well as the 3,456 leasehold properties, the 559 properties let at affordable rents, and the 336 properties which are let as temporary accommodation, pending demolition. This Plan shows that the properties generate annual income of £110m and this income is due to fall over the next three years, because of the Government's policy of reducing social housing rents, and also due to the annual loss of stock through the Right to Buy.

However, despite this adverse policy, the Plan shows that the Council has adequate resources to meet the costs of management, maintenance, stock investment and a steady programme of new build and estate regeneration.

In 2014, the Council commissioned a review of the service from Housing Quality Network (HQN), and this identified a number of shortcomings in the housing service, both in the performance indicators, costs and tenant satisfaction. A transformation programme was

started, and is currently underway. This programme has been subsumed into the Council's Ambition 2020 programme which will transform the way in which services are delivered.

The Council took on additional housing debt of £277.6m in April 2012 as part of a settlement with Central Government, known as Self Financing in which Councils took a share of the national housing debt, in return for additional financial freedoms. However, the benefits of this deal have been eroded since that date by changes of policy on the part of Government, such as the increase in the RTB discount, and the imposition of a four year rent reduction. The Council has borrowed additional funds to take forward its estate regeneration and new build programme, and this additional debt means that the Council's debt is now £291.6m, which is the maximum that the Council is allowed to borrow against its assets. This amounts to debt of £16,093 per property, which is manageable as the interest costs of £10.06m a year can be met from the income stream. However the Plan currently makes no provision for the repayment of debt, and as the stock reduces and other income pressures arise, this decision may need to be reviewed in the medium term.

The management and maintenance of the Council's housing stock is moving into a new structure, affecting the whole Council and new relationships will need to be built in order to ensure that tenants and leaseholders receive the level of service that they pay for.

There are a number of threats to the Business Plan going forward. These are: the Government policy which has not yet been implemented, of seeking to levy a sum of money from each local authority representing the value of its higher value void properties. This could be a substantial sum. In addition, the Council needs to refresh its stock condition data, and this improved information may unearth additional financial commitments to the maintenance and improvement of the stock. The Business Plan will require a review once these two items have been clarified.

There are also a number key decisions built into the Business Plan that will need to be reviewed, as circumstances do change. These include the decision not to apply inflation to management and maintenance costs over the next four years. Finally, the relationship between the stock owned by the HRA, and the stock held by the Council's wholly owned company needs to be clarified. This is likely to be made clear as Reside develops its own Business Plan and sets out its expectations of itself, and the services provided to manage and maintain its housing stock.

The Business Plan is a snap shot in time, based on the best available information. It requires regular review, as the economic, market and social and technical environment is constantly changing. This Plan sets out where the Council's housing stock is now, and indicates the key issues that need to be addressed in the short term.

Barking and Dagenham Housing Revenue Account Business Plan 2017 – 2047 (Full Version)

1. Introduction

The Council adopted its first Housing Revenue Account Business Plan in March 2012, in preparation for the introduction of the new financial regime, Self Financing, in April 2012. This Business Plan updates that first Plan and sets out the current position of the Council's housing stock. It is not a radical change of direction; it is a holding Plan, setting out where we are now, and starts to look to the future about where we hope to be. It looks at the current position of the stock, its condition, its financial performance and all the factors that influence the use, management and maintenance of it. It is also an opportunity to review its role, and set out the Council's intentions on the way forward for its use and improvement, and to test those plans against the financial metrics that influence or constrain those choices. It includes a statement of what plans the Council has in the short and medium term to ensure that the assets perform well, and deliver against the Council's stated objectives.

2. Context

2.1 Barking & Dagenham Corporate Plan

The Barking & Dagenham Corporate Plan sets out an expectation that the Borough will grow. From a population of 164,000 in 2001 the population has grown to an estimated 201,979 in 2015, and is expected to grow further to an estimated 220,000 by 2020. This population is young, rapidly growing and increasingly diverse. But in many areas, the Council is at the bottom of the London league – in unemployment, in qualifications and in earnings. The Council expects, and intends to change this. One of the Council's principles, set out in the Plan is that the housing offer in the borough will reflect London's diversity, with widening housing choice to include social housing for rent, affordable sub market rent, and seeking to maintain a well regulated private rented sector, and increased opportunities for households to access home ownership. The Council seeks to shape the Borough into a place that people choose to live in.

The Council's housing stock comprises 25% of the homes in Barking & Dagenham, and the HRA has a role to play in supporting the development of first steps home ownership products, intermediate rented housing and delivering new homes at a range of different price points.

The Corporate Plan also sets out the Council's ambition to provide excellent cost effective services. The Council wants to maximise income, and use it well. These aspirations are an important part of the HRA Business Plan, to ensure that resources are spent wisely, and that the financial performance of the Council's assets supports this aim.

The emerging housing policy framework in Barking and Dagenham, is in the development of three rights: The Right to Rent, the Right to Move, and the Right to Invest. Barking and Dagenham currently has a geographical spread of housing that forms concentrations of different kinds of housing, in different areas. Some areas are virtually all social housing, whilst others are mainly market housing. The Council wants to see more geographically balanced and mixed communities, and will be developing homes appropriate to the different areas through its new housing policies. In areas where housing concentrations of Council housing currently exist, the Council will be introducing a range of mixed tenure options where housing of different rent levels and ownership types will provide a more mixed community and vice versa. The Right to Rent will be developed in five forms of *infrastructure* housing:

- Social housing rents, for those with the lowest incomes;
- Homes at the London Living Rent, as promoted by the Mayor of London in his manifesto;
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The Council further proposes to develop a Right to Move: an incentive scheme for tenants who qualify financially, to enable them to move out of Council housing with the assistance of a substantial deposit and free up much needed social housing. Finally, there is a Right to Invest, which enables tenants should they wish to do so, to part purchase their homes and take on ownership of a share of their home, and pay a percentage of the rent on the remainder. This is designed to give low income working households the opportunity of stepping up into home ownership gradually.

2.2 Barking & Dagenham Housing Strategy

Barking and Dagenham's current Housing Strategy was written in 2012, and expires in 2017. The overall context remains relevant, but many of the plans set out in the Housing Strategy are well underway, and some have been completed. The four major priorities in the Housing Strategy 2012 are:

- Objective 1: Delivering social and economic regeneration through building high quality homes and thriving communities
- Objective 2: Investing in new council homes and establishing new ways to deliver affordable housing
- Objective 3: Good quality services
- Objective 4: Sustainable communities

These objectives remain relevant to the refreshed HRA Business Plan as overall objectives, but new plans to deliver these objectives are required. Under Objective 1, the Council committed to demolish 1790 homes on three estates: Gascoigne East, Goresbrook Village, and The Leys. These plans are now either complete, or well underway; and attention in this Business Plan will move on to review the achievements of the Estate Renewal Strategy, and consider what next steps are required.

The Council has made good progress in the other Housing Strategy objectives and the Business Plan will look at what are the lessons learned from this work, and what next needs to be done, to ensure that these objectives can be sustained. For example, the Housing Strategy refers to the need to explore project finance based solutions to deliver new homes in innovative affordable housing solutions. The Council now has a record of accomplishment in delivering a variety of types of housing and tenures at a range of rents, and from experience can select the best delivery models and solutions to meet housing needs in the Borough.

The objective of delivering good quality services also remains relevant to the new Business Plan, but the context has changed. The Council has the intention of bringing all its property based services together in one place – My Place, and new structures, budgets and performance indicators are required to deliver excellent services within the new arrangements.

Overall the HRA Business Plan remains an important key element of the Council's Housing Strategy, as expressed in that document:

"The Housing Revenue Account (HRA) Business Plan sets out the route to enable the council to develop a housing business that is able to enhance the services it offers together with wider housing tenure options that better meet the needs of local people within the context of changing market conditions at the local, sub-regional and regional level."

3. History of Self Financing and what has changed since

A new financial regime for Council housing was introduced in April 2012. Instead of a national housing subsidy system, each local authority took on a portion of the national housing debt, and in return received new financial freedoms to retain rental surpluses and plan their spending on a 30-year basis. The level of debt each local authority took on, related not to their historic building programmes, but to their ability to pay off the debt. Each local authority developed its Financial Business Plan based on their income and expenditure over 30 years, with assumptions contained in it, which of course have been subject to changes; some of them market driven (such as inflation factors) and some of them driven by changes in Government policy.

The London Borough of Barking and Dagenham settlement in April 2012 was that it had to take on additional debt of £265.912m with an opening stock level of 18,894 properties. This represented an average debt per property of £14,074.

Factors which have changed since the introduction of Self Financing, which have had a significant impact on the Plan are:

- Changes to the Right to Buy discount
- Rent Policy

3.1 Right to Buy Discount

On 2nd April 2012, The Government raised the Right to Buy discount, which was limited to £36,000 in London to a maximum of first, £75,000 and subsequently on 25th March 2013 to £100,000. Sales under the Right to Buy which had fallen began to increase rapidly, and this caused significant changes to the level of sales that each local authority had been predicting. In Barking and Dagenham, the sales rose from 97 sales in the year before the change to an estimated 220 sales a year going forward. The Government recognised that this would have a detrimental impact on Local Authority's Business Plans, and offered local authorities a "deal" which consisted of a complex formula for sharing the receipts on the increased Right to Buy sales, over above those that had originally been forecast at the start of the Self-Financing regime. This formula allowed Local authorities to take a fixed administration fee on sales, and then share the receipts between a portion attributable to the debt of the property sold, which was retained by the local authority, and then the remainder shared between the local authority and the Government, on condition that the local authority used the receipts towards to the cost of building new homes. Local authorities were given the freedom to use the portion of the RTB receipt which related to debt. The Council is not required to repay the debt. The portion that had to be used for new homes was allowed only to contribute towards 30% of the cost of each new home, and to be spent within 3 years of receipt.

Barking and Dagenham have received £16.897m in RTB receipts under this agreement up to September 2016, and have spent £5.189m to date. By the end of 2016/17 it is anticipated

that there will be £28.186m RTB receipts remaining to be used. The deadline for using these capital receipts is staggered, depending upon the quarter in which each sale was completed.

3.2 Rent Policy

Government policy on rents has also changed twice since the introduction of Self Financing with serious consequences to the finances of the HRA Business Plan. Rent restructuring was introduced in 2002, and was at that time designed to bring Housing Association and local authority rents closer together (“rent convergence”), to improve mobility throughout the social housing sector. Each property had a target rent calculated for it, based on a formula which was 70% related to local incomes, and 30% related to local capital values, adjusted for bedroom size. Rents were then assumed to move in the direction of their target (or formula) rent, but by no more than a formula set by Government, which was $RPI + 0.5\% + £2$. The restriction on increases was put in place, to smooth the transition between the rent before the introduction of rent restructuring, and the move towards the target rent. Rents which were particularly low, took a long time to move towards target rents, and therefore when the Government announced a change in the formula, in 2014, their proposal was based on the false assumption that most social rents were already at target rents.

The new formula, to be applied from April 2015, was $CPI + 1\%$. The Government promised stability in rent policy, and indicated that this formula would be applied for the next ten years. Whilst the change between $RPI + 0.5\%$ to $CPI + 1\%$ did not make a great deal of difference to the rental income stream, the loss of the transitional £2 a week, made a great deal of difference for local authorities where rents were still well below target rents. Barking and Dagenham was one of these authorities.

But further detrimental change was to come. On 8 July 2015, the Government announced that they would require social landlords to reduce their rent by 1% a year for four years, thus cutting the Housing benefit bill. The change represents a transfer of funds from social landlords to the Exchequer, without a significant benefit to most social housing tenants. In Barking and Dagenham 64.4% of tenants are on Housing benefit, and those tenants not on benefit will of course benefit from the rent reduction, but this does not outweigh the serious consequences of the loss of income to the Council. We have calculated the loss of income to Barking and Dagenham, from this proposal. The impact on the original business plan was a loss of income of £33.6m over 4 years, with a £3m loss in 2016/17. This would have equated to a loss of income in the region of £450m over the 30-year business plan

It should be noted that the average rent for our secure tenancies in 2015/16 in Barking and Dagenham is £98.02, which is already below the target rent by £3.50pw. This will get worse over the next two years. A measure to mitigate this in part, by moving all new lettings to target rents as they become empty is included within the Business Plan.

4. Demography and Local Housing Market

The London Borough of Barking and Dagenham is at the heart of the Thames Gateway area. It is a relatively small (3,611 hectares) outer London Borough and has a population of 164,572 which is estimated to rise to 220,000 by 2020. It is predominately residential in character but also has significant areas of employment land, a major town centre at Barking, district centres at Dagenham Heathway and Chadwell Heath and a network of smaller neighbourhood centres. There are significant areas of undeveloped land in two areas. These are the marshes bordering the Thames and the agricultural land to the north east at Marks Gate. The River Roding, River Beam and River Thames form the Borough’s westerly,

easterly, and southern boundaries respectively. Currently there are growing proportions of under 16 year olds and over 85 year olds and a rapid increase in the proportion of ethnic minority residents. The Borough is one of the four most deprived boroughs in London, as set out in the New Policy Institute analysis of London's poverty profile. Barking and Dagenham scores particularly badly across the four indicators of health. 14% of adults in Barking & Dagenham are living with a long-term illness or disability compared to 11% across London. 6.9 underage women become pregnant per 1,000 population, compared to a rate of 4.8 in London overall; Male life expectancy in Barking and Dagenham is on average 77.7 years, compared to 80 across London. There is a childhood obesity rate of 26% compared with 22% across the whole of London.

East London and the Thames Gateway is described as “the priority area” for development in the London Plan and Barking and Dagenham lies at the heart of this region. The Borough has substantial opportunities for regeneration, including having the potential for up to 25,000 additional homes which will be located mainly in the south of the Borough. The population is scheduled to rise from 164,000 in 2001 to an estimated 220,000 in 2020.

5. Local Housing Market

At the last Census, the stock of housing was 69,000 in 2001. Net additional homes built in the Borough amount to 2,779 from 2011/12 to 2014/15, which falls short of the annual targets for new homes set both by the Borough and by the Mayor's Housing Plan for London. The stock of housing in the census of 2011 shows the following composition:

Tenure	Numbers	Percentage	England %
Social Rented	23,459		
Local authority rented	19,782	33.7	17.7
RSL rented	3,677		
Private Rented Sector	12,328	17.7	16.8
Owner Occupied	33,324	46	63.4
Shared Ownership	906	1.3	0.8
Other, including rent free	663	1	1.3

Since the 2011 Census, the private rented sector has increased by 7% up to 17.7% and the ownership occupation sector has fallen. The Council rented stock has fallen to 18,120 dwellings, and 25% of the housing stock in the Borough.

6. Local Authority role

The Council has an important role as the largest provider of housing within the borough. The Council now manages 25% of the Borough's housing stock, at low rents and to a reasonable standard of management and maintenance. There is an overwhelming demand for social housing, at rents affordable to those on the lowest wages in the Borough. This demand greatly exceeds the supply of homes; and therefore, the Council has a significant role in assessing the needs of households for housing, and providing advice and assistance to households about other forms of housing that they may be able to access. The Council also wishes to shape the borough geographically in a more balanced way, by introducing within the supply side, the five levels of infrastructure housing at different rent levels, as set out in Paragraph 2.1. In addition to the role of being a good landlord, the housing services within the HRA provides alternative housing at different price points for a range of households in work; through its affordable housing programme, and by the establishment

and management of its wholly owned housing company, Reside. The HRA Business Plan supports all these activities.

7. Objectives

The HRA Business Plan has the following objectives:

- To provide housing services of good quality to the tenants and leaseholders of the London Borough of Barking & Dagenham, and Reside
- To maintain and improve the housing stock to modern standards of comfort
- To retain the stock, and to replace housing units within the Borough, either within the Housing Revenue Account at a range of rent levels to meet the needs of residents in the borough or within the Council's wholly owned company, Reside
- To improve standards of thermal comfort within the housing stock, and to reduce fuel poverty affecting tenants and leaseholders
- To understand and maximise the efficient financial performance of the housing stock
- To support the regeneration of the Council's housing and communities
- To assist in meeting the housing needs of current and future housing customers.

8. Governance

The HRA Business Plan is reported to Cabinet on an *annual* basis. The HRA Business Plan Governance is as set out in the Chart below:



The cycle of the Business Plan is iterative; tenants have been consulted on the Budget annually in the past; and on the Business Plan when this was introduced. It is anticipated that the Business Plan and Budget will continue to be considered by Tenant and Leaseholder Forums annually and their comments reflected as part of the review process. A Residents' Survey is also conducted biennially, to review the level of satisfaction with residents' services, and to plan for areas of concern in the forthcoming year.

The HRA Officer Group reviews the Business Plan *quarterly*, and brings all the assumptions up to date with actual performance data; identifies issues of policy for the annual consideration of the Business Plan by the Corporate Management Team, and Cabinet. The

officer group comprises a team of officers from Strategy, Policy, Finance, and Housing Management.

9. Resident Satisfaction

In 2014, the Housing Quality Network (HQN) conducted a Landlord Health check and this found that performance across the core business processes within Housing that drove service delivery was generally below the average for London Boroughs and identified the improvements needed to address this. The review showed that the service had fallen far behind the services delivered by other London authorities, in particular:

- Rent collection was below average and the service was found to be very fragmented and ineffective
- Repairs satisfaction was low and was continuing to fall with voids relet performance one of the worst measured.
- Tenant satisfaction with the Landlord service was also well below the London average.

In the last Satisfaction Survey carried out in 2014, the headline results were:

- 75% of general needs tenants were satisfied overall with their services, which was a slight improvement on 2013, although not a statistically significant one. However, this change means that when compared with the benchmark group, Barking & Dagenham have now moved to the median score on this measure.
- 71% of tenants were satisfied with the Value for money of their rent; and 63% were satisfied with their service charge
- 68% of tenants were happy with the quality of their home, which is 6 percentage points below the median for this measure. This measure varied by ward, with tenants in Gascoigne ward being only 50% satisfied with the quality of their home, in contrast to 75% of tenants in Abbey, Village, Maybrook and Becontree Wards being satisfied with the quality of their homes.
- 65% of tenants were happy with their Repairs and Maintenance Service which although it is an improvement on the last survey, is still below the median benchmark for this service (73%)
- 52% of tenants were satisfied with their resident involvement, which was an improvement on the performance in 2013, and means that on this measure, Barking & Dagenham have moved from the fourth to the third quartile
- 70% of tenants were satisfied with their neighbourhood, which was 6 percentage points below the median for this measure

Tenants were asked about whether they felt safe in their area, during the day and after dark.

- 81% of tenants felt safe in their area during the day, only 13% felt unsafe
- 47% of tenants felt safe in their area after dark, and 42% felt unsafe.

Levels of satisfaction have improved since the last survey in 2013, although not by statistically significant amounts. The levels of satisfaction also remain below the benchmark median in quality of home, neighbourhood, resident involvement and repairs and maintenance. A new Satisfaction Survey is being commissioned, and the results will be available in the summer of 2017.

10. Service Delivery

The Barking and Dagenham performance data available in the Housemark Benchmarking Club is from 2014/15.

a. Rent collection

Rent collection in 2015/16 ended the year at 99.02% of income collected. The median performance in the Benchmark Group of large organisations owning over 10,000 was 99.4% in 2014/15. 7.41% of tenants had arrears over seven weeks; 43.2% of tenants had Notices served on them. 64 tenants were evicted during the year.

Only 8.04% of Former tenant arrears were collected; and £0.7m was written off. There remains £1.6m of outstanding Former Tenant Arrears to be collected. Gross arrears written off in 2014/15 was 1.28% of the rent due; whilst the median performance on this measure was 0.5%.

The Spare Room Subsidy (“the Bedroom Tax”) continues to affect a significant number of tenants. 986 working age tenants were under occupying their homes by one bedroom and 421 (43%) of these were in arrears. 258 tenants were under occupying their homes by two bedrooms, and 105 (40%) of these were in arrears of rent. The number of tenants affected by the Bedroom Tax overall however has fallen in 2016; in August, the number of tenants under occupying by one bed was 855 and those under occupying by two beds had fallen to 221. However, this remains a significant problem for the Council, and the tenants affected.

b. Voids

Rent loss due to voids in 2014/15 was 1.5%; median performance in that year was 1.25%. Average days to relet homes by Barking & Dagenham in that year was 43 days against a median performance of 28.9 days. Performance currently, at September 2016 is 25.7 days and therefore much improved. The average days to relet in 2015/16 was 32. The annual rent loss in 2015/16 amounted to 2.28% of debit – although this includes some properties which are awaiting demolition and have not yet been removed from the housing system.

c. Service Charge collection

The Annual Service charges due to the Council in 2015/16 were £3.6m; of which 96.86% was collected. When compared with the benchmark performance of the peer group, the collection rate in 2014/15 was 99.55% against a median performance of 102%. Collection of the major works contributions was 13.3% of the £1m due from leaseholders in that year; this will reflect the agreement to allow leaseholders to stagger payments of major works bills.

d Repairs Performance

Data on Repairs complete on time, and days taken to complete repairs is not available in Housemark currently. Satisfaction with Repairs is reported as 69.9% in 2014/15, whilst the median on this performance indicator is 80.7%.

Following on from the HQN report in 2014, it was important that the Housing service addressed what was a declining performance which had not been treated as an urgent priority in the past. Managers and staff in Housing rose to the challenge of these findings

and a detailed improvement project was initiated with the aim of addressing all the shortcomings identified. This culminated in the development of the Housing Transformation programme which provided a clear focus and structure for improvement. It focused on five projects, namely:

- **Strategic Maintenance:** transforming the way we manage our building assets to ensure we have an integrated approach to investing in and maintaining our housing portfolio. This includes both capital investment and repairs and maintenance.

- **Customer Management:** transforming the way we interact with residents as customers of the Housing service. It's about improving the customer experience and about knowing our customer and supporting households to be independent and successful

- **Income & Debt Collection:** ensuring we generate the income we need as a service through better rent and income collection and through preventing debt from arising in the first place. It is also about sustaining tenancies to optimise asset return and realising value for money.

- **Workforce Management:** creating a high productivity environment by retaining and rewarding a skilled, flexible and highly motivated workforce to deliver high levels of performance and professional behaviour at all times;

- **Strategic Housing:** improving the statutory non-landlord services we provide including housing advice, homelessness and temporary accommodation and having a coherent suite of our housing strategies and policies, promoting and monitoring compliance with these, and supporting responsible private landlords making Barking and Dagenham a place where working families want to put down roots.

This programme was absorbed in to the development of Home Services and My Place where the improvements envisaged will be built upon to create these new service delivery blocks.

11. Understanding the assets

11.1 General needs

The Council owns 18,120 units of general needs stock and 3,456 leasehold properties. Within the General Needs stock 17,235 are let at rents which are "social" rents. They were previously subject to the rent restructuring regime, and were therefore moving towards target rents, but before they could reach target rents, the Government imposed the 1% rent reduction. The rents on these properties are on average 39% of market rents. 559 properties are let at Affordable rents – rents between 50% and 80% of market rents. These properties are also subject to the 1% rent reduction until 2019/20; after this date, it is assumed that both these and the social rented properties will move back up in line with CPI + 1%. All the social housing rents, and those at 50% MR are let via the Council's Housing Register. Those properties whose rents are 65% or 80% MR, are let in accordance with the Allocations Policy for Affordable rental properties – which are set out in Paragraph 32 of the Allocations Policy.

The largest proportion of the general needs stock, nearly half (8,878 homes) were built between the wars – between 1918 and 1940. Of the remainder, 25% of the

stock was built between 1965 and 1990; 21% between 1940 and 1965, only 1.7% is pre-WW1, and 4% built since 1991.

Consequently, 52.5% of Barking & Dagenham's homes are houses or bungalows; an unusually high proportion of this type of building. 12.1% are high rise flats, 12.7 low rise flats and 22.6% medium rise flats and maisonettes. There is also therefore a reasonable proportion of family sized homes, although very few larger homes. Only 1% of the stock has four bedrooms; 0.1% has five bedrooms and the Council only own one six-bed property.

Size	Stock Numbers	Percentage
0	427	2.4
1	4202	23.2
2	7684	42.4
3	5565	30.7
4	225	1
5	10	0.1
6	1	0
Grand Total	18114	

Households on the Housing Register need the following bedroom sizes:

Size	Households on Register	Percentage
1	2693	32
2	2950	35
3	2320	28
4	42	5
5 BR +	48	0.6
Grand Total	8365	

This shows that there is a reasonable match between the housing stock analysed by size, and the housing need as expressed by the Housing Register. There is a greater need for more one bed homes than the Borough currently holds; and a slightly greater need for larger homes (4BR+) that the Borough current holds; but for other sizes there is a reasonable match of stock to need.

This does not address the overall level of need for all sizes of homes. It demonstrates that shortages are evenly distributed across all bedroom size requirements.

11.2 Community halls

Some Tenant Groups have the use of facilities on estates, to encourage and support community and tenant activities. The following Tenants Groups have the use of the following facilities:

Tenants Group	Facilities
Tenant Federation	Former Warden's office, Whyhill Walk
Scrattons Tenants & Residents Association	Farr Avenue, Shop – shared with the community.
Millard Terrace	Community Centre – limited use with agreement
Reede Road Tenants and Residents Association	Land for storage and community events
Thames Tenants and Residents Association	Community Garden at Bastable Avenue

No rent or charges are made for the use of these facilities. In addition, most groups have access to councils meeting rooms for free.

11.3 Sheltered

The Council has 607 units of Sheltered Housing, with a variety of house types and support levels. These have been recently subject to a comprehensive review and during 2017 the recommendations of the review will be considered and those which are accepted will be implemented. The current stock is set out in the table below:

Scheme	Numbers of units	Build date	Type
Bennets Castle Lane	12	1974	Sheltered 1 BR
Berryman close	12	1974	Sheltered 1BR
Birch Gardens	5	1951	Sheltered bungalows
Burford Close	16	1974	Sheltered 1BR
Catherine Godfrey House	34	1990	Sheltered 1BR
Dewey Court	48	1971	Sheltered 1BR
Dunchurch House	38	1976	Sheltered 1BR
Earls Walk	20	1970	Sheltered 1BR
Ely Gardens	5	1948	1BR Bungalows
Forsters Close	54	1971	Sheltered 1BR
Hook Hall Drive	8	1949	Sheltered 1 & 2BR Bungalows
Humphries Close	31	1979	Sheltered 1BR
Inskip Road	35	1973	Sheltered 1BR
Kidd House	19	1988	Sheltered 1BR
Kilsby Walk	42	1972	Sheltered 1BR
Maxby Road	30	1979	Sheltered 1BR
Padnell Road	17	1955	1 BR Sheltered Bungalows
Park Drive	8	1948	1BR Sheltered Bungalows
Pembroke Gardens	29	1937	1BR Sheltered Bungalows
Rainham Road	8	1977	1BR Sheltered
Rosehatch Avenue	15	1955	1BR Sheltered Bungalows

Seabrook Road	10	1966	Sheltered 1BR
Shipton Close	25	1971	Sheltered 1BR
Stone Close	20	1976	Sheltered 1BR
Vicars Walk	24	1970	Sheltered 1BR
Wyhill Walk	22	1975	Sheltered 1BR
Turner Court	20	1988	Sheltered 1 BR
Total	607		

11.4 Stock condition

The Council has a Housing Asset Management Strategy that was adopted in 2015 and runs to 2020. It sets out the aspiration of the Council to achieve Decent Homes compliance by 1st April 2019. When the Council was awarded £42m in 2011/12 62% of Barking and Dagenham homes were non-Decent. The funding profile is set out below.

2011/12	2012/13	2013/14	2014/15	Total
£2.0m	£9.5m	£15.0m	£15.5m	£42m

The Council also matched this backlog funding with its own resources and has invested in delivering the Decent Homes Programme. As at 31st March 2016, non-Decency had fallen to 48%. The Council is investing £0.5m in a refreshed stock condition survey in 2017 and this will enable the Council both to verify the level of non-Decency and develop a new programme of works to complete the programme by 1st April 2019. The Stock Condition Survey will be tendered in March 2017 and fieldwork will be carried out between May and September. It is anticipated that the results will be available in time to set the new capital programme for 2018/19 onwards.

The Borough has 716 homes of non-traditional construction which will require refurbishment to bring them up to mortgageable standard; this is a very expensive programme. The Borough has the following types of non-traditional construction:

Belfy	9
Bison	76
Fidler	606
Orlitt	20
Wates	5

The Business Plan makes provision for £200m to be invested in the Housing stock until 2019, when the Decent Homes Programme will be complete. The investment then falls to £30m annually, and a total of £335m over the ten-year period from 2017/18 to 2027/28.

Stock Investment

The Business Plan also considers what the council's investment strategy is to be following the completion of the decent homes programme. The key proposals are to develop plans for improving the external environment of estates and the external fabric of blocks. The opportunities to improve thermal efficiency and to review the way in which residents and visitors circulate within the estate, its security and how parking and refuse is managed and to soften the hard landscapes prevalent on a

significant number of estates are to be addressed in consultation and feasibility work during 2017/18.

In addition, new programmes for the replacement of lifts, windows and doors, roofs, electrical laterals, and communal heating will be developed in 2017/18 as well as capital replacement programmes for compliance related matters such as water tanks and rewiring homes.

The borough has been divided into three geographical regions to procure the delivery of the Decent Homes programme. A procurement process will be concluded for larger contractors to deliver the works required in the north and south regions. SME contractors are currently engaged to undertake works in the central region. The use of SME contractors is a strategic decision to engage the services of smaller, local contractors to encourage business growth and development within the borough.

A significant number of roads serving housing estates are classified as private and require investment to re-surface them including replacing paved areas and modifying parking arrangements.

There is a programme for the enlargement of existing homes and the conversions of unused space into homes. This programme will address several unused spaces such as Caretakers' stores located within blocks of flats that have been identified as feasible to be converted into new dwellings. The programme will also identify homes that are feasible for conversion to larger accommodation to assist tenants living in overcrowded conditions without having to re-house them during the works.

There are several garage sites that have been identified as requiring improvement works to return them to a lettable standard. These works will ensure the garages are wind, water tight and operational. In addition, the access roads leading to them will be refurbished as necessary. These works will return the garages to working use and be let at a higher rent to generate income for the HRA.

The HRA aids and adaptations budget is under significant pressure to meet the demand determined by Occupational Therapist assessments. The budget has been increased to support the management of that demand and provide aid to residents in the greatest need.

The Council has 18 estates where it is has responsibility for the maintenance and upkeep of communal boiler plant. The renewal of communal boiler systems has typically been undertaken in conjunction with regeneration work or in response to high levels of breakdown. This programme recognises the importance of this area of work with dedicated resources allocated accordingly over the coming years to ensure reliable communal heating service for residents.

The Lift Replacement Programme, a formal programme of planned lift refurbishments will be considered from 2018/19 onwards. This recognises the importance of providing safe and reliable access/egress for tenants and leaseholders to their homes located within blocks. Although lifts have previously been refurbished in conjunction with regeneration projects carried out to blocks, this new provision will enable timely renewal of aging lift equipment in a planned way.

The investment strategy provides the opportunity to develop the careers of apprentices on an interesting project to refurbish box-bathrooms involving carpentry, roofing, insulation, cladding, plumbing, electrics and customer care. The box-bathrooms have been identified because of their poor construction, low thermal efficiency, and difficulty to maintain and repair. This is a noteworthy project for tenants also and would enrich the skill-set and competency of apprentices who currently focus mainly on repairing and servicing activities.

The Housing Asset Management Strategy recognises that Barking & Dagenham tenants pay higher than average costs towards their fuel costs, and that the Borough is therefore committed to improving energy efficiency and reducing fuel poverty. £0.5m per year is set aside in the next three years to add energy efficiency measures. There is also a proposed innovative scheme to demonstrate excellent in energy efficiency in domestic housing – called “Green Street” which is due to start in 2017/18 funded by £2m from the HRA capital programme.

12 Estate Renewal Programme

The Estate Renewal Programme started in 2010 and was approved at the Cabinet meeting on 6th July 2010. At that meeting, three estates were identified which needed renewal: Gascoigne East, Goresbrook Village, and The Leys. These estates were considered to need attention to create an attractive and sustainable place to live, to improve the prosperity of the residents, and to address the quality of life issues affected by the poor environment. The three estates consisted of:

Estate	Blocks	Tenants	Leaseholders	Total residents
Gascoigne East	13	1035	127	1162
Goresbrook Village	3	282	6	288
The Leys	19	215	65	280
Total		1532	198	1730

The Estate Renewal Programme started because of the poor housing condition of the estates; and concern that a straightforward improvement and refurbishment programme would not be a cost-effective solution as there were issues of layout, environment, and reputation. These Estates included most of the Councils system built high rise and non-traditional build flatted blocks that had suffered from a variety of issues including dampness and condensation due the poor levels of insulation and original construction method and materials.

A programme of decanting tenants, and buying out the leaseholders began and the plans, funding and resources have been developed as the project has progressed. The impact of the regeneration programme on the needs of households on the Housing Register was analysed, and the concerns raised by this analysis were addressed by the development of the new build programme, and limiting the total number of lettings allocated to decants during the development programme. During the period of decanting, a new build programme of 474 units was already underway.

The replacement schemes will provide 421 new units in Phase 1 of the Gascoigne East development, 149 units at Goresbrook Village and 89 units at The Leys (Phase 1). Later

phases of the Gascoigne Project will provide an additional 1100 units over the next 5 years.

Estate Renewal site	Rented @ 50%	Rented @ 53 – 80%	Shared Ownership	Private Sale	Total
Gascoigne Phase 1	100	100	221	Nil	421
The Leys Phase 1	35	35		19	89
The Leys Phase 2	17	17	34	Nil	69
Goresbrook	98	Nil	10	41	149
Total	250	152	265	60	728

Although the principle of regeneration was approved earlier, the plan for the Althorne Way tower block was not considered until 22nd October 2013 when demolition was approved, the identification of site proposals, and the proposals for private and affordable homes on the site agreed. Full details of the options on this site are yet to be agreed. Work on this scheme is underway, and will be presented to Cabinet early in the New Year 2017.

The Estate Renewal Programme was reviewed and refreshed by Cabinet on 27th January 2015. The focus for new estate renewal schemes remains with the completion and delivery of the initial approved estates, but attention is now also moving to consideration of other areas which may benefit from a similar approach. The following estates were approved for inclusion in the programme: Sebastian Court, Marks Gate, Roxwell Road, Oxlow Lane and Rainham Road North. Each scheme will be considered in turn, appraisals undertaken and funding put in place. The notable change between the first programme sites and the additional sites is that only one of these blocks, Sebastian Court is non-traditional construction. The others are sites that can deliver higher density development through unused land within their boundary or through their location in Growth areas.

The first of these new schemes to be considered was Sebastian Court. Proposals for Sebastian Court were approved on by Cabinet on 18th October 2016. There are 57 rented units on this site, 54 tenanted and 3 void properties, as well as 8 leaseholders. The replacement scheme will provide 57 affordable rented units and 33 shared ownership units. The rented units will all be owned and managed by Reside; 50% of these will be at 50% market rents and therefore let to households on the Housing Register whilst a further 50% will be let at 80% market rents and let through the Affordable Rented Lettings Policy. RTB receipts (£2.9m) and General Fund borrowing (5.8m) will fund this scheme.

Over the six years since this programme started, the Borough has carried out a review and is embedding the lessons of the early part of the programme into future projects. The Borough is seeking to consult residents at the earliest opportunity, and prior to planning applications are submitted. The ways in which consultation is undertaken needs to be updated, and greater use made of social media, websites and drop in surgeries, rather than large evening meetings. Decision making needs to be based on sound evidence and analysis, rather than subjective opinion. There are also important lessons to be learnt about the technical aspects of leaseholder buy-backs; which have

the power to hold up estate regeneration if the needs of the leaseholders to maintain their financial and housing circumstances are not recognised.

The future of the Estate Renewal Programme beyond 2021 links to the Council's long term Investment Strategy and the Stock Condition Survey. This plan sets out the Council's intention to reach the Decent Homes Standard by 2020. However, Decent Homes work is expensive and all encompassing; it would not be a good use of resources where stock has been identified within a programme of estate renewal. Careful consideration will be given to the stock that whilst able to be brought up to the Decent Homes Standard still suffers from issues relating to poor layout of communal areas, no private amenity space and sites that can deliver much higher density schemes.

The future of the Estate Renewal Programme is currently under review. A review of the current methodology of appraising estates is underway, and in the next 12 months, the metrics and evaluation system by which the Council decides which properties to include in the programme will be reported to Cabinet, with a view to updating the methodology, including a broader set of criteria to evaluate an estate. The current funding provision is set out using the current known commitments, but once plans are firmed up, more precise figures can be tested against the overall resource position.

13 New Build

An integral part of the estate renewal programme, is the new build programme. Whilst some of the Council new build programme is in part on individual standalone sites, others are part of the overall Regeneration Programme, making better use of sites and maximising development opportunities.

The new build programme is delivering 197 additional units of housing within the HRA, and 807 new homes to be managed by the Council's wholly owned housing company, Reside.

14 Reside

In 2011, Barking and Dagenham took the decision to establish a wholly owned company to let manage and maintain housing stock outside the Housing Revenue Account. The reason for establishing the company, was because the Council felt the need to diversify the housing stock within the borough, and to build mixed communities of housing and tenure at a range of different price points. The first company was renamed Reside in 2012, to take ownership and manage properties. The Board of Directors was composed of three Cabinet members, and the Company Secretary was the Director of Finance. Funded by private finance, it took on the letting and management of the first 477 properties in 2012. These were let at different prices: 20% at 50% of market rents, to households from the Housing Register, 6% of the homes at 65% of market rents, and 74% of the housing, at 80% market rents.

The company has since added a further 144 new homes, and is due to take on additional properties in the next few years. There are significant expansion plans, set out in the section on New Build. Firm plans for an additional 287 rented homes, and 79 Shared Ownership units are planned over the next 3 years at Gascoigne West and East, Kingsbridge and Sebastian Court. Numbers need to be worked out in more detail, but there is potential for a further 391 homes at Marks Gate, and Becontree, which will all come under the Reside umbrella.

Reside performance is reasonable: rent collection in 2015/16 was 99.23% and the level of voids and bad debt was 2.68% of the rent roll.

Reside properties are allocated in two ways: the properties where the rents are set at 50% of market rents, are allocated under the Council's main Allocations Policy; and applicants may bid for the properties using the Council's Choice Based Lettings Scheme. Applicants must be working. Properties which are let at Affordable Rents (either 65% or 80% of market rents) are also let only to working households, under a Local Lettings Scheme within the overall Allocations Policy.

The Local Lettings Scheme sets out the hierarchy of priorities which will guide who is allocated the Affordable rented properties. These are:

1. Council or Housing Association tenants who are working
2. Applicants who are working on the Council's Housing Register
3. Residents in the Borough who are working
4. People working in the Borough;
5. Any other applicant.

Reside only let properties to applicants who can afford the rents. Affordability is defined as making sure that households do not spend more than 35% of their net income on rent.

The management and maintenance services provided by the Housing Service, are paid for by Reside, paying a management fee. This is treated as income to the HRA, as the HRA bears the costs of the management. The income under the Management Agreement is currently £608,000 pa. Part of this is variable. This should be reviewed as the number of properties managed by the Housing Service expands. Reside will have a choice of continuing to use the housing management service provided by the Council (through My Place) or deciding to tender the housing management service to ensure that the company obtains the best possible price and quality of service.

The forward plan for Reside is to continue to expand the number of social housing units that can be provided, to provide speed and certainty of delivery of new homes. The design quality and space of these homes will challenge the standards of the private rented market to provide better, and the focus of the company will remain locally accountable. The company has its own independent Business Plan, and it anticipated that it will continue to provide long term returns, for the Council.

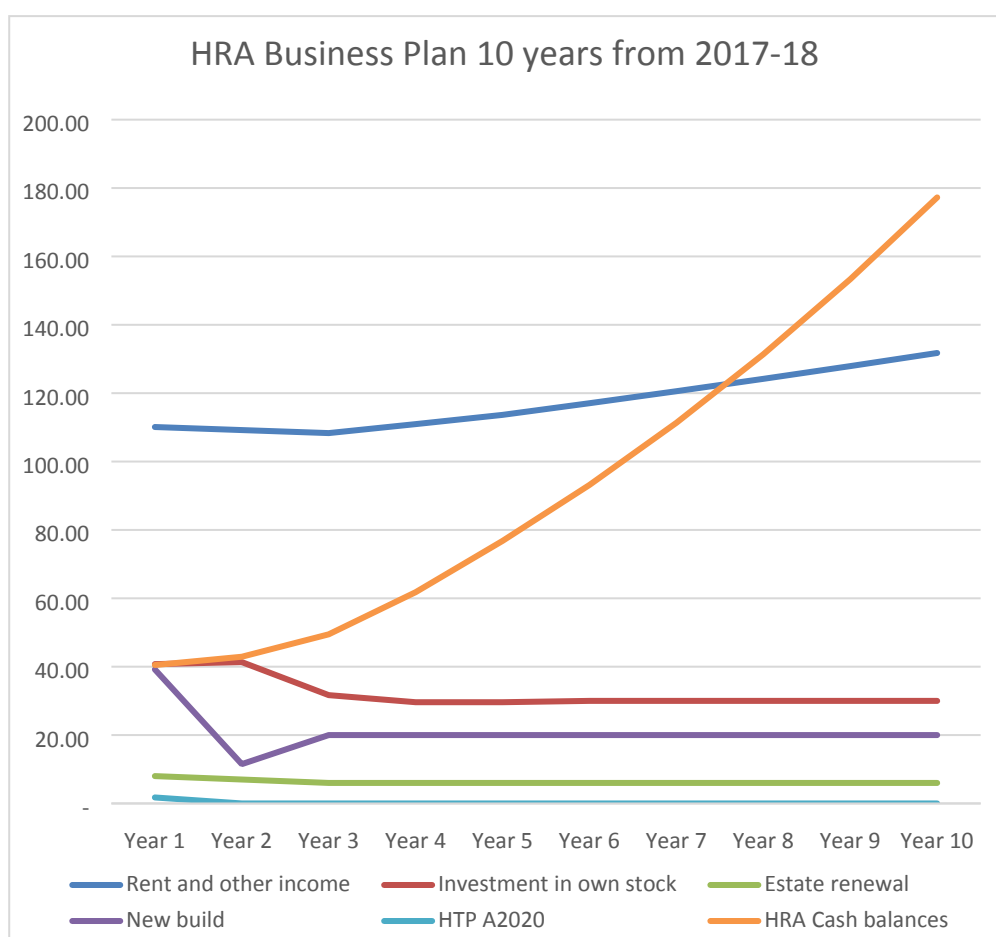
15 Business Plan- baseline forecast

The current HRA Business Plan demonstrates that over the forecast 30 years of the Plan, the HRA can fund its current planned expenditure requirements. This is based upon £110m of rent and other income at 2017/18, falling over the next three years and rising after 2019/20 if the Government delivers on its promised rent policy of CPI + 1% after the current period of rent reduction. Management and maintenance costs are set to absorb inflation for the first four years of the Plan, and then rise by 3% pa. This generates a healthy net revenue surplus, which after meeting interest costs of £10.06m a year for the life of the Plan can fund the stock investment, estate renewal and new build requirements. This assumes that there is no additional borrowing (as the current level of borrowing is at the Government defined cap) but also assumes that there is no provision for reduction of debt. It is assumed that no external grant is received, either for stock investment or for new build. Provision for stock investment is set in the region of £40m for the first four years, and then falls to £30m a year, after the completion of the

Decent Homes Programme. A programme of new build is funded from the HRA for the life of the plan; it fluctuates in the first four years in line with pipeline schemes, and then is estimated at £20m a year from 2020 onwards. Estate Regeneration is also funded in the HRA Business Plan at an indicative level of £6m a year from 2018/19.

With this level of expenditure, cash balances remain adequate during the early period of stock investment activity, and when the Decent Homes Programme is complete, start to rise from 2023/24 onwards. It is at this point consideration should be given to the repayment of debt.

The table below illustrates the next ten years. If the investment programmes remain constant as set out in the Plan, there will be a big increase in balances from Year 5 (2025/26). Thought needs to be given to how this funding is best used: investment or repayment of debt, or a combination of both. If the decision is to plan for investment, the question arises, what and where should this investment be directed.



16 Assumptions

These are the key assumptions on which this Business Plan is based. These assumptions need to be reviewed annually, to ensure that they are adjusted in line with any new information on actual performance, or changing markets. These assumptions are:

16.1 Stock numbers

The Business Plan is based on *opening* stock numbers: 18,120 properties, of which

336 are held as Temporary accommodation, and rents charged in 2017/18 at 90% of LHA. Average TA rents in 2017/18 are therefore: £207.04pw
559 properties are let at Affordable rents, with average rents of £145.11pw
17,235 properties are let at average rents of £96.35pw from 2017/18 onwards

16.2 Sales

Moving forward, RTB sales are assumed at 220 units per annum. There is a new build programme of properties within the HRA of 267 properties confirmed over the next three years, and therefore 89 units are added back for each of the first three years (2018/19 2019/20 and 2020/21). There is an expectation that no additional new build homes will be owned within the HRA after 2020.

16.3 New Build additions

There are currently 267 new homes under construction, or in the pipeline which will be delivered, owned, and managed within the HRA over the next two years. 62 of these are Modular Build properties, to be constructed on HRA garage sites, and will be used as temporary accommodation. The rents will therefore be set in line with the TA rent policy, and let at 90% of LHA rates. It is assumed that these will be delivered equally over the next three years, but after that date, no further new build properties will be owned and managed within the HRA; new build after this date will be owned and managed within the Council's wholly owned management company, Reside.

16.4 Higher Value Void Levy

No assumptions have been made about the Higher Value Void Levy contained within the Housing and Planning Act 2016. The Regulations have not yet been published, and therefore it is not possible to work out what impact this will have. This must be reviewed when the information is available, but the Government have confirmed that this will have no impact on the first year of the Business Plan (2017/18).

16.5 Rent Policy

Rents have been reduced by 1% a year since 2016/17. 2017/18 is the second year of the rent reduction policy, and this has been implemented appropriately, and it is assumed that 2018/19 and 2019/20 will follow the same policy, and rents will be reduced by 1% in each of these years. This applies both to secure rented properties, and affordable rented properties within the HRA. From 2020/21, it is assumed that rent policy will revert to increases of CPI + 1%.

It is assumed that 300 properties a year will continued to be used as Temporary accommodation, and that the rents on these properties will be set at 90% of the Local Housing Allowance (LHA) in 2017/18. Temporary accommodation rents do not need to be reduced under the rent reduction policy, and therefore have been assumed to remain constant at 90% LHA throughout the life of the Plan. LHA rates are frozen until 2020, but it is assumed that they will uprated by inflation after that date.

16.6 Service Charge Policy

Currently, all service costs are fully recovered through service charges to tenants and leaseholders apart from three services. These are Grounds Maintenance, Caretaking and

Cleaning where the charges do not recover the full cost. This Plan assumes that the Council continues to freeze these three service charges for the next year, until there is a review of the quality of the service. The Plan assumes that they will move towards full cost recovery by Year 3 (2019/20) and thereafter that these costs are fully recovered. There are three services not yet de-pooled. These are the services of TV aerials, lift maintenance and door entry maintenance. These costs are met through the general rental income, and these will continue to be met through the rent for the time being.

16.7 Void rate

It is assumed that the void rate throughout the life of the Plan remains at 1%. Current performance is at 1.2% of rental income, and therefore this assumption requires an improvement in performance to ensure that performance remains in line with assumptions.

16.8 Bad debt

Provision for Bad Debt in the Business Plan has been set at 1.2% of the rent due; a budgetary provision of £1.046m. Write offs of Former Tenant Arrears (FTAs) in the last three years have been within this estimate - £0.7m in 2015/16 with £1.6m FTAs outstanding at the end of the year; £1.2m in 2014/15 with £1.4m outstanding at the end of the year; and £0.9m written off in 2013/14 with £1.8m outstanding at the end of the year. This should be adequate for the current rent collection performance. The service charge collection rate in 2015/16 was 96.8%. No write offs of service charge debt have been made in 2015/16, and it is not policy to write off service charge debts, as they can be recovered through a recharge on the property concerned.

16.9 Inflation

No inflation has been built into the Business Plan either for staffing or other costs in the first four years of the Plan. It is assumed that the service will absorb all inflation pressures both in and inflation is then built into management and maintenance costs at 3% annually.

17 Revenue

17.1 Management costs

Barking and Dagenham participates in a benchmarking club with Housemark. The management costs are benchmarked against a club of 46 members all of whom own over 10,000 properties. This shows that the Management cost per property in 2015 was £343.27 against a median cost for the benchmark group of £338. Management costs are therefore higher than the median.

17.2 Maintenance costs

The maintenance costs in the same benchmarking arrangements are £782 per property for repairs and £2,417 for major works and cyclical maintenance. The median for the group for the same items are £783 per property for repairs and maintenance, and £2,035 for major works and cyclical maintenance. The R&M figure is therefore at the median for the group, and the major works and cyclical maintenance is above the median by £382 per property.

17.3 Conclusions on Management and Maintenance costs

The conclusion of the Benchmarking data therefore shows that the current performance is high cost, but low performance. The task of the new 12 months is to move the performance and cost of the service out of this quadrant.

18 Debt and Interest costs

As at 1st April 2017, the HRA will hold debt of £291.6m which is the maximum permitted debt (“the cap”) which the Council is permitted to hold. This is formed of the original debt settlement (£277.6m) and two further borrowing approvals to enable the development of additional homes within the HRA. The original debt level amounted to £14,074 per property, but with the loss of stock since the settlement, and the increased level of borrowing, the average debt per property is now £16,093 per property.

The interest paid on this level of debt is £10.06m a year and this remains constant throughout the life of the 30-year plan, as there is no permitted additional borrowing.

The current Business Plan does not assume that the level of debt is reduced, but is maintained at the cap throughout the life of the Plan. This would be an acceptable financial plan, if the numbers of stock were to remain at roughly the same level, and that therefore the interest costs could be fully met from income. The assumed loss of 220 sales per year (around 1.2% of the stock) can be managed within this for a period with prudent financial control of the annual budget, but if there are significant losses of stock, either over a longer period or through forced sales, it may be necessary to consider whether the level of debt to be maintained is required. The effect of maintaining this level of borrowing whilst stock is reducing will increase the debt per unit.

Whilst the Council needs to maintain investment in its key housing projects, including stock investment and regeneration no provision for repayment of debt is proposed. However, at a future review of the Business Plan it will be necessary to consider the right point at which this issue should be addressed.

19 Resources

Resources are sufficient to support current plans. These are made up of a variety of sources which support different items of expenditure.

19.1 Major Repairs Reserve

Under the initial Self Financing housing system councils must put some of their income each year into the “Major Repairs Reserve” (MRR). This could only be used on major repairs; this was to ensure that Councils make appropriate provision for capital works.

The amount to be paid into the MRR was drawn from a local assessment of capital spending needs. The figure was based on setting aside for depreciation, namely the cost of replacing or renewing all the time-limited components of the stock plus an amount for the fabric of the building. The original provision in the HRA Business Plan in 2012 was £1,126 per property. The current Business Plan assumes that all resources after appropriate provision for any known revenue pressures are made as a Revenue Contribution to Capital Outlay (RCCO) and support the necessary capital programme and therefore there is no fixed minimum or maximum investment level. This is a matter for judgement based on stock condition, and available resources.

19.2 Surplus/balances

It is proposed that the minimum balance on the HRA should be maintained at 5% of income which provides a minimum requirement of £5.5m. Balances brought forward into 2016/17 were £37.43m together with forecast in-year surpluses of £12.62m mean that at the end of 2016/17 balances of £50.05m will be held within the HRA before the agreed level of RCCO is set in 2017/18.

19.3 Capital Receipts

Some Capital Receipts are restricted in their use. They will have derived from sales after the Government raised the discount on RTB sales to £100,000 and after retention of the transaction costs, and the debt portion, they may only be used for replacement affordable rented homes. They were subject to a specific signed agreement between each local authority and the GLA, to fund new build programmes. The use is further restricted by a rule which requires the receipt to fund no more than 30% of the costs of each unit. It is therefore essential that the so-called 1-4-1 receipts are applied first to the new build affordable rent programme, so that they are fully used. If not used, RTB receipts from the 1-4-1 fund must be repaid to Government, with 6% interest over the Base Rate.

However, there are some capital receipts which are unrestricted. These relate to the “debt portion” which is a notional debt per property sum, which the Council can deduct for each property sold. These unrestricted capital receipts can fund any part of the housing investment programme and can be used as match funding to 1-4-1 receipts. The debt portion can of course also be used to repay debt.

The level of 1-4-1 receipts has been set out at 3.1 above. The level of unrestricted capital receipts is estimated to be £7.05m in 2017/18 and the assumption is that this will continue annually as part of the RTB sales programme throughout the life of the Plan.

19.4 Leasehold reserve fund

Leaseholders are required to pay for the cost of improvements to their homes, in the form of major works charges. The Council can only recover this cost, if it has appropriately consulted the leaseholders, and given the required notice to leaseholders. As many improvement schemes are expensive, and leaseholders do not always have the resources to pay for these works when the work is carried out, the Council has payment options for leaseholders which enables them to spread the payments. The Council therefore can calculate the sums due from leaseholders in respect of works carried out to their homes, but does not expect to receive those sums in the year in which they are incurred. Payments are made into the Leasehold Reserve Fund, and contributions from the Leasehold Reserve Fund can be added to the sums that fund future capital programmes. As at the end of 2016/17, it is forecast that the Leasehold Reserve Fund will stand at £8.34m. A review of the current Leasehold Reserve Fund is currently underway and the level of contribution to the capital programme will be established in the next 12 months.

20 Programmes of work going forward

There are programmes of work underway which will impact on the Business Plan. These include programmes of physical work – like the stock investment, the new build, and the Regeneration Programme. But there are also programmes of which are identified through the Business Planning process, which seek to establish effective working relationships that can deliver effective and efficient services to tenants and leaseholders.

20.1 Governance

The working relationships between the Business Plan, My Place, Community Solutions, and Home Services are critical to the effective delivery of good services. The strategic core will be commissioning services to manage and maintain the housing stock from My Place and Community Solutions and the structure of these relationships is important to making sure that the roles are clear and the accountability of each area of work is transparent. The role of tenants and leaseholders, and members will also need to be established within the new working arrangements. During the next 12 months, the development of these relationships will be a key piece of work.

20.2 Performance and Satisfaction

As part of the commissioning strategy over the next 12 months, performance in key areas (Rent collection, service charge collection, voids, repairs and tenant and leaseholder satisfaction) will need to be improved. The Commissioning Strategy will establish current performance, targets for improvement and ways of monitoring the service on a regular basis.

20.3 Stock Investment

There is a five-year stock investment programme included within the annual budget which sets out the elements that need to be addressed in the short term. However, there is a need to refresh the data that supports the stock investment programme and this is one of the key priorities in the forthcoming twelve months. From the refreshed stock condition survey, a long-term plan for active asset management will be developed. The new stock condition survey will commission individual, block based, and estate based financial performance information to enable the Council to prioritise the active asset management programme.

20.4 New Build

The new build programme is clear in the short term, (next three years) where either certain, or potential schemes and funding have been developed (See Para 17.3). The current Plan identifies where the replacement homes will be brought into the HRA, and where they may be identified for intermediate housing of difference kinds, for a range of household incomes. However, there is a dilemma to be resolved which is what will the impact be of building most new general needs homes outside the HRA, and therefore not replacing the homes lost through the RTB. Once this decision is taken, further financial modelling for both Reside, and for the HRA will need to be undertaken which will show these consequences and enable the Council to resolve the way forward for its new build programme.

20.5 Estate Regeneration

The first phases of the Estate Regeneration programme are underway and progressing with great success. The financial model for new estate regeneration programmes has been established. Over the next twelve months a new matrix to assess estates which may require a more comprehensive approach will be developed and applied to other estates where physical layout, poor environment and building

type require attention. Early consultation is the prime lesson from the first phases of regeneration, and this will be applied to all forthcoming proposals.

21 Conclusions

The Barking & Dagenham HRA Business Plan is in a reasonably comfortable position in 2017/18 but there are concerns which need to be addressed during the next 12 months. This Business Plan is a statement of where we are now; next year's Business Plan will be transformed into the Housing Commissioning Plan that will guide the relationship between Growth and Homes, and its commissioned services in My Place, Community Solutions, and Home Services.

The performance indicators in all areas of housing management, as well as tenant satisfaction need to be further improved through the Transformation Programme. Service charges for both tenants and leaseholders should be reviewed to ensure that there is confidence in the costs and service; and that the service charges can withstand scrutiny and challenge.

Stock condition data information needs to be regularly refreshed to ensure that the resources currently in place for the stock investment programme are sufficient to meet current and future needs.

Consideration needs to be given to the new financial model to support both estate regeneration and new build. Where new build properties are not being returned to replace housing stock loss, the Business Plan will need to be updated. Currently, in recent schemes, Right to Buy Receipts have been used, and the 70% match funding provided either by unrestricted capital receipts, private sales, or General Fund borrowing; this financial model has proved successful, and is therefore not dependent on limited and reducing HRA revenue resources. Currently there is continuing provision with the Business Plan to support the new build programme assumed; but this provision could be released if the new financial model continues to be implemented as set out above.

Clearly HRA resources supporting the Estate Renewal Programme addresses a housing stock need; and replaces investment which would otherwise be directed to improvement programmes for those estates.

The challenges of the next 12 months are particularly acute as there will be significant changes in the structure of the service, and what the service now needs is to focus strongly on the key basic management services, and the level of satisfaction that customers currently express.

Annex 1 sets out the key high level requirements that will be commissioned from the Housing Service and future My Place and Community Solutions departments. Appendix 9 provides an extract of the first ten years of the Business Plan.

ANNEX 1

Commissioning Intentions 2017/18

The arrangements for the structure of the housing service will change radically in 2017/18. In October 2017, it is anticipated that the new structures for the delivery of Council Services will be established in the form of the Core, *Growth & Homes* and the delivery vehicles, *My Place* and *Community Solutions*. Growth and Homes will commission My Place to manage the housing stock in a way and to a standard that will be set following consultation with consumers, members, and stake holders. This new way of commissioning services will not be established immediately, but will develop as part of the implementation of the new structure. In the first year of commissioning therefore, Growth & Homes will propose a limited number of high level commissions.

Budget and Commissioning programme

The first task of the new approach, will be to establish the mechanisms, the governance, and the delivery of the new budget based commissioning. In future, programmes of work will be commissioned within an agreed budget. A service of asset management such as planned maintenance, or responsive repairs will be commissioned by Growth and Homes, and monitored against an agreed budget and to agreed standards. The process of developing how this will be done, will be rolled out over the range of services identified and agreed with a Commissioning Board, consisting of Lead Members for Housing and Finance, and lead officers from Growth and Homes.

Estate Management

The HRA Business Plan sets out the current level of Tenant Satisfaction, and Performance in key areas of rent collection, and void management. Currently, these are lower than the median in all areas. Growth and Homes wish to commission My Place to:

- Improve Tenant Satisfaction to the median by 2018 and to the upper quartile by 2020
- Improve Rent collection to the median by 2018 and to the upper quartile by 2020
- Improve void performance to the median by 2018 and to the upper quartile by 2020

The rent collection and void performance will be measured by the monitoring of Performance Indicators against the benchmark group of organisations with over 10,000 homes within the Housemark Benchmarking Club

Tenant and Leasehold Satisfaction will be measured by reference to the STAR Survey, to be conducted every two years.

Service Charges

Service charges are always contentious, both for tenants and leaseholders. Tenants and leaseholders have rights to information that will assure them that they are being charged the right costs for the right services, and that the Council is only charging the actual cost of the service back to them. The preparation of the service charge accounts is currently difficult, and the evidence that backs the charges can be improved. It is proposed that in 2017/18 a review of the service charge costs should be undertaken, involving tenants in order to be able to produce and validate service charge accounts promptly and cost effectively.

Social Value outcomes

Growth and Homes wish to measure the social value contributed by the Borough's housing stock, and measures which My Place and Community Solutions will help to deliver outcomes of benefit to the wider aims of the Council. The Commissioning Strategy in 2017 will therefore be developed to consider how best to measure the following outcomes:

Improved social cohesion

Growth and Homes propose to consider ways in which the service can improve the strength and resilience of communities, and help communities to help themselves. It is a view that stronger ties between people who are neighbours will help to address a range of social problems: loneliness amongst older residents; reduction of antisocial behaviour amongst young people; the ability of different communities to get along with each other. It is proposed therefore to commission a baseline survey (possibly on a pilot basis) to find how well people know each other within a given community; and to set a target to improve the % of people who know their neighbours.